

Before the
Federal Communications Commission
Washington D.C. 20554

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AUG 31 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
1998 Annual Access) CC Docket No. 98-104
Tariff Filings)

**DIRECT CASE OF SOUTHWESTERN BELL TELEPHONE COMPANY AND
NEVADA BELL**

SBC Communications Inc. (SBC), on behalf of Southwestern Bell Telephone Company (SWBT), and Nevada Bell, hereby responds to the Designation Order released July 29, 1998 by the Common Carrier Bureau (Bureau) of the Federal Communication Commission (Commission).¹ For the reasons stated in this direct case, the investigation as to SWBT and Nevada Bell should be closed as the issues listed in the Designation Order are now moot.

Paragraph 20 of the Designation Order seeks comment on the tentative conclusion that "SWBT and Nevada Bell have failed to properly adjust their revenue inputs due to a change in their primary and non-primary residential line counts".

On August 13, 1998 SWBT filed Transmittal No. 2719 and Nevada Bell filed Transmittal No. 250 to incorporate a revised non-primary residential and BRI ISDN rate at last PCI update. In doing so SWBT and Nevada Bell flowed through the necessary rate reductions to the common line revenue requirement as requested by Commission staff, thus making this issue moot.

¹ 1998 Annual Access Tariff Filings, CC Docket No. 98-104, Memorandum Opinion and Order, Order Designating Issues For Investigation, and Order on Reconsideration (DA 98-1512) (Common Carrier Bureau, Rel. July 29, 1998) (Designation Order).

These transmittals were challenged by AT&T and MCI which argued that the transmittals did not make the necessary changes to the SBC Companies' rates. Attached hereto and incorporated by reference are the SBC reply comments to those challenges, which explain how the changes fulfill the Commission's orders and directions.

For the foregoing reason, SBC respectfully requests that the Commission close the investigation as to the SWBT and Nevada Bell tariffs.

Respectfully submitted,

SBC COMMUNICATIONS INC
SOUTHWESTERN BELL TELEPHONE COMPANY
NEVADA BELL

By: 

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August 31, 1998

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**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Southwestern Bell Telephone Company)	Transmittal No. 2719
Tariff FCC No. 73)	
)	
Nevada Bell Telephone Company)	Transmittal No. 250
Tariff FCC No. 1)	

REPLY COMMENTS OF SBC COMMUNICATIONS INC.

SBC Communications Inc. (SBC), on behalf of Southwestern Bell Telephone Company (SWBT), and Nevada Bell (Nevada) (collectively, the SBC Companies) and pursuant to Section 1.773 of the rules of the Federal Communications Commission (Commission), hereby responds to the petitions filed August 20, 1998 by the MCI Telecommunications Corporation (MCI) and AT&T Corp. (AT&T) against the above-referenced transmittals. For the reasons stated herein SBC respectfully requests that the petitions be rejected and that the revisions be allowed to take effect as scheduled.

These transmittals were filed at the direction of the Commission staff, after many hours of conversations to determine the most accurate methods and calculations to implement the Commission's rules and formulas. The SWBT and Nevada filings were patterned after the Frontier filing, which the Designation Order¹ explicitly held to be correct.

¹ 1998 Annual Access Tariff Filings, CC Docket No. 98-104, Memorandum Opinion and Order, Order Designating Issues For Investigation, and Order on Reconsideration (DA

Based on the discussions with Commission staff, and the ruling on Frontier's filing, SWBT filed Transmittal No. 2715 on July 29, 1998 and Nevada filed Transmittal No. 248 on July 24, 1998. Neither SWBT or Nevada characterized the changes to line counts as reclassifications of primary to nonprimary in that transmittal. In fact, SWBT was simply correcting the line counts that were originally presented on June 16, 1998. A difference between reclassification and normal line growth within such corrections (as was apparently recognized in Frontier's case) must be recognized here.

The differentiation between primary and nonprimary lines did not exist in 1997, the current base year used in price caps. For that reason it was necessary to develop a methodology to identify primary separately from nonprimary. Utilizing the 1996 base year in the original access charge reform filing (to be effective January 1, 1998) SWBT determined that approximately 8% was correctly designated as nonprimary. Nevada determined that approximately 2% was correctly designated as nonprimary. The June 1, 1998 Order did not find these numbers to be unreasonable.

To determine line counts for SWBT's 1998 Annual Filing, the same methodology was applied to the 1997 base year demand. SWBT ultimately determined a percentage of approximately 12%. This is substantiated by the Commission's own findings in the June 1, 1998 Order, Figures 2 and 3. Within those figures the Commission found that SWBT could reasonably initially designate from 11 to 16% of lines as nonprimary. Only when SWBT exceeds those levels is SWBT truly reclassifying lines from primary to nonprimary, not when SWBT is simply reflecting the real growth in nonprimary lines year over year.

In the case of Nevada, it was determined that the percentage increased significantly to approximately 14%. There is still insufficient data to determine exactly how much of the 14% is normal year over year growth and thereby determine how much is in fact reclassification.

SWBT Transmittal No. 2719 and Nevada Transmittal No. 250 were filed in response to many conversations with the Commission staff. SWBT and Nevada sought and received confirmation of the methodologies ultimately used in the transmittals to develop the weighted average of only the EUCL rate at last PCI update. Those discussions and SWBT Transmittal No. 2719 (which included both reclassifications as well as line growth) are now being completely mischaracterized by MCI and AT&T as solely reclassifications. SWBT has not overstated its CL revenue requirement; it has in fact understated it and is being permanently penalized for using a new staff-designated method with corrections now mischaracterized as solely reclassifications. It was in fact inappropriate for SWBT to use any weighted average rates as inputs to the Tariff Review Plan (TRP).

Nevertheless, in the case of Nevada Transmittal No. 250, Nevada concurs at this time that both the EUCL and PICC rates at last PCI update should reflect the weighted average rate at last PCI update. This results from allowing all of the changes in that filing to be allowed to be characterized as a reclassification.²

At this point in the process, when the Bureau has already approved of a methodology, LECs must be allowed to rely upon that opinion. The proposals by MCI

² Due to the inability of Nevada yet to confirm from ongoing research how much of the 14% is normal growth and how much is truly reclassification.

and AT&T to further change the methodology cannot replace the Bureau's decision.

These proposals would ingrain a methodology that would penalize the LECs for normal growth of nonprimary lines. At a minimum, a formal rulemaking should be conducted before any such change is implemented.

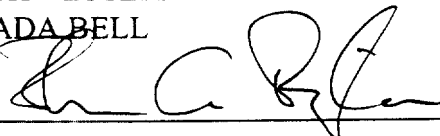
CONCLUSION

For the foregoing reasons, SBC respectfully requests that the above referenced transmittals be allowed to take effect as scheduled.

Respectfully submitted,

SBC COMMUNICATIONS INC.
SOUTHWESTERN BELL TELEPHONE COMPANY
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Certificate of Service

I, Mary Ann Morris, hereby certify that the foregoing
“Direct Case of Southwestern Bell Telephone Company and Nevada Bell,”
CC Docket Number 98-104 has been served on August 31, 1998, to
the Parties of Record.



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August 31, 1998

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